

Memorandum

To : Honorable Jerome E. Horton, Chairman
Honorable Michelle Steel, Vice-Chair
Honorable Betty T. Yee
Senator George Runner
Honorable John Chiang

Date: September 9, 2011

From : Susanne Buehler, Chief
Tax Policy Division, Sales and Use Tax Department



Subject : **Business Taxes Committee – September 20, 2011**
Implementation of ABx1 28 – Expanded Nexus Project Update

Signed by the Governor on June 28, 2011, ABx1 28 amended Revenue and Taxation Code section 6203's definition of "retailer engaged in business in this state" and expanded use tax registration requirements to out-of-state retailers that were previously not required to collect use tax on sales to California customers.

I would like to make you aware of the implementation steps that have been taken on this project so far:

- Issued Special Notice in July 2011. The notice was posted on the BOE website at <http://www.boe.ca.gov/news/pdf/1284.pdf> and linked from the BOE home page. The notice was not mailed.
- Received approval from the Board to initiate an interested parties process to discuss amending Regulation 1684, *Collection of Use Tax by Retailers*, to incorporate the provisions of ABx1 28.
- Mailed survey letters to 225 unregistered retailers from a list of the top out-of-state Internet retailers informing them of their possible registration requirements. The letters ask retailers to respond to a questionnaire about their business activities in California. Once the questionnaire was developed the letters were mailed in September 2011. Recipients were asked to respond within 15 days of receipt.

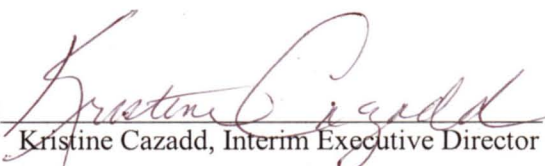
Staff will continue to send out questionnaires to other out-of-state retailers as they are identified. Staff estimates that 2,000 retailers are affected by ABx1 28.

Returned surveys will be reviewed and non-responses will be followed up on similar to BOE's 1032, Information on Out-of-State Retailers program. That is, staff will review the information provided by the taxpayer; follow up with the retailer by phone or letter on non-responses and partial responses; and provide the retailer with an application and registration assistance if needed. Staff will track accounts that are registered as a result of the survey. Staff is also responding to taxpayer inquiries and investigating other leads on a case-by-case basis as information is provided.

If you have any questions, please feel free to contact me.

SB:lw

Approved:



Kristine Cazadd, Interim Executive Director